

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 STR-07 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02
OMB-01 DOE-11 AF-10 ARA-14 NEA-10 /173 R

DRAFTED BY EB/OT/STA:GWHITE:JH
APPROVED BY EB/OT/STA:TO'HERRON
STR:NADAMS (INFO)
STR:TSTEWART
EA/J:HCOCHRAN (INFO)
EA/K:BPORTER (INFO)
EA/ROC:WLUNDY (INFO)
EA/PRCM:SSTAMFIELD (INFO)
STR:SCOFFIELD
STR:SFALKEN

-----059818 170541Z /11

P R 162335Z FEB 78
FM SECSTATE WASHDC
TO USMISSION GENEVA PRIORITY
AMEMBASSY TOKYO PRIORITY
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMCONSUL HONG KONG
AMEMBASSY SEOUL
AMEMBASSY TAIPEI

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US MISSION ALSO FOR US MTN, USOECD

E.O. 11652: N/A

TAGS: ETRD, GATT, OECD

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SUBJECT: GATT: PROPOSED U.S. ARTICLE XIX ACTION ON CB
RADIOS

REF: STATE 23385

1. MISSION GENEVA IS REQUESTED TO TRANSMIT FOLLOWING TEXT
TO GATT SECRETARIAT FOR CIRCULATION TO CONTRACTING PARTIES

AS NOTIFICATION UNDER ARTICLE XIX:2:

A. THE U.S. INTERNATIONAL TRADE COMMISSION (USITC) REPORTED TO THE PRESIDENT ON FEBRUARY 2 THAT IT HAD DETERMINED THAT CITIZENS BAND (CB) RADIO TRANSCEIVERS, PROVIDED FOR IN TSUS ITEM 685.25, ARE BEING IMPORTED INTO THE UNITED STATES IN SUCH INCREASED QUANTITIES AS TO BE A SUBSTANTIAL CAUSE OF SERIOUS INJURY OR THE THREAT OF SERIOUS INJURY TO THE DOMESTIC INDUSTRY PRODUCING AN ARTICLE LIKE OR DIRECTLY COMPETITIVE WITH THE IMPORTED ARTICLE.

B. THREE COMMISSIONERS DETERMINED THAT TRADE ADJUSTMENT ASSISTANCE UNDER TITLE II OF THE TRADE ACT OF 1974 WOULD BE THE APPROPRIATE REMEDY. THREE OTHER COMMISSIONERS

RECOMMENDED THE IMPOSITION WITH RESPECT TO CB RADIO TRANSCEIVERS (EXCEPT HAND-HELD) OF AD VALOREM IMPORT DUTIES, IN ADDITION TO THE PRESENT RATES OF DUTY, AS FOLLOWS: 1ST YEAR - 30 PERCENT, 2ND YEAR - 25 PERCENT, 3RD YEAR - 15 PERCENT, 4TH YEAR - 15 PERCENT, 5TH YEAR - 10 PERCENT. IN THE CASE OF SUCH A TIE VOTE WITH RESPECT TO REMEDY THE PRESIDENT MAY BY LAW ACCEPT, REJECT, OR MODIFY EITHER OF THE RECOMMENDATIONS, BUT IS SUBJECT TO CONGRESSIONAL OVERRIDE. THE TRADE ACT OF 1974 PROVIDES THAT THE PRESIDENT HAS SIXTY DAYS FOLLOWING THE RECEIPT OF A REPORT FROM THE USITC TO DETERMINE WHAT METHOD AND UNCLASSIFIED

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AMOUNT OF IMPORT RELIEF HE WILL PROVIDE, OR DETERMINE THAT THE PROVISION OF SUCH RELIEF IS NOT IN THE NATIONAL ECONOMIC INTEREST OF THE UNITED STATES.

C. THE USITC REPORT NOTES THAT IMPORTS OF CB RADIOS WERE VALUED AT \$839 MILLION IN 1976, UP FROM \$251 MILLION IN 1975; IMPORTS HAVE DECLINED IN THE PAST YEAR BUT HAVE INCREASED THEIR MARKET SHARE TO 91 PERCENT. U.S. MANUFACTURERS HAD ABOUT 29 PERCENT OF THE DOMESTIC MARKET IN THE EARLY 1970'S, BUT THEIR SHARE HAS DROPPED TO ABOUT 9 PERCENT TODAY. THE RATIO OF IMPORTS TO U.S. SHIPMENTS (I.E. PRODUCTION) INCREASED IN EVERY YEAR BUT ONE, RISING FROM 338 PERCENT OF DOMESTIC PRODUCTION IN 1972 TO 870 PERCENT IN JANUARY-JUNE 1977.

D. WITH REGARD TO SERIOUS INJURY OR THE THREAT THEREOF THE USITC REPORT NOTES THAT:

PRODUCTION, PROFIT AND EMPLOYMENT LEVELS IN THE INDUSTRY ARE DECLINING PRECIPITOUSLY. DOMESTIC PRODUCTION IN THE PERIOD JANUARY-JUNE 1977, FELL TO 379,000 UNITS FROM 678,000 UNITS DURING THE SAME PERIOD IN THE PRECEED-

ING YEAR, A DECLINE OF 44 PERCENT.

PROFIT LEVELS IN THE INDUSTRY HAVE DECLINED SHARPLY IN THE LAST YEAR FROM A PROFIT MARGIN OF 8.4 PERCENT OF SALES IN THE SECOND HALF OF 1976 TO A LOSS OF 27.5 PERCENT OF SALES IN THE FIRST HALF OF 1977. TWO OF THE REMAINING DOMESTIC PRODUCERS FILED FOR BANKRUPTCY UNDER CHAPTER 11 OF THE FEDERAL BANKRUPTCY ACT OF 1977.

EMPLOYMENT DATA SHOW THAT THERE WERE 38 PERCENT FEWER PERSONS EMPLOYED IN THE DOMESTIC INDUSTRY DURING THE FIRST HALF OF 1977 THAN DURING THE CORRESPONDING PERIOD OF 1976. EMPLOYMENT IN THE DOMESTIC INDUSTRY AVERAGED 4,519 IN THE FIRST HALF OF 1977, DOWN FROM 6,289 IN UNCLASSIFIED

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THE FIRST HALF OF 1976.

E. THE CURRENT COLUMN ONE IMPORT DUTY OF 6 PERCENT AD VALOREM ON TSUS ITEM 685.25 WAS BOUND IN THE KENNEDY ROUND. THE ITEM IS ALSO BOUND TO DENMARK AT 12.5 PERCENT; TO THE EEC(6) AT 12.5 PERCENT; TO THE UNITED KINGDOM AT 15 PERCENT; WITH RESPECT TO ARTICLE (EXCEPT RADIO RECEIVING SETS) AND PARTS, TO JAPAN AT 12.5 PERCENT; AND TO OTHER COUNTRIES WITH LIMITATIONS EXCLUDING CB TRANSCEIVERS FROM THE BINDING.

F. RECENT U.S. IMPORTS OF CB RADIO TARNSCIVERS VALUED OVER \$30 BUT LESS THAN \$115, BY COUNTRY, WERE:
QUANTITY, IN THOUDSANDS OF UNITS

COUNTRY	1975	1976	1977	1975-77 AVERAGE
JAPAN	4,141	13,732	6,527	8,133
TAIWAN	101	1,239	787	709
SOUTH KOREA	13	231	362	202
HONG KONG	5	16	56	26
ALL OTHER	6	19	9	11
TOTAL	4,266	15,237	7,741	9,081

VALUE, IN THOUSANDS OF DOLLARS

COUNTRY	1975	1976	1977	1975-77 AVERAGE
JAPAN	227,011	744,666	370,882	447,520
TAIWAN	4,385	54,734	39,439	32,853
SOUTH KOREA	562	9,861	14,324	8,249

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HONG KONG	215	760	2,137	1,037
ALL OTHER	476	816	956	749
TOTAL	232,649	810,837	427,738	490,408

THE CATEGORY OF OVER \$30 BUT LESS THAN \$115 IS ESTIMATED TO INCLUDE ONLY THOSE CB TRANSCEIVERS SUBJECT TO THE IMPORT RELIEF RECOMMENDATION SUBMITTED BY THREE USITC COMMISSIONERS.

G. FURTHER DETAILS ARE AVAILABLE IN THE COMMISSION'S REPORT TO THE PRESIDENT, USITC PUBLICATION 852.

H. THE UNITED STATES IS READY TO CONSULT WITH THE CONTRACTING PARTIES (CAPS) AND WITH THOSE CONTRACTING PARTIES HAVING A SUBSTANTIAL INTEREST AS EXPORTERS OF CB TRANSCEIVERS (EXCEPT HAND-HELD) IN RESPECT OF THE PROPOSED ACTION. (FYI: CONTRACTING PARTIES (CAPS)

INDICATES THE CONTRACTING PARTIES ACTING JOINTLY PER ARTICLE XXV.END FYI.)

2. TOKYO SHOULD PROVIDE COPIES OF THE ABOVE NOTIFICATION TO GOJ. USOECD PARIS MAY INFORM OECD SECRETARIAT.

3. COPIES OF USITC REPORT HAVE BEEN POUCHED TO ALL ADDRESSEES. VANCE

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Message Attributes

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